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Message Text

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R 301855Z SEP 76
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TO SECSTATE WASHDC 3469
INFO AMEMBASSY BRIDGETOWN
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C O N F I D E N T I A L GEORGETOWN 1951

E.O. 11652: GDS
TAGS: EAID, GY
SUBJECT: GUYANESE MINISTERS ON HYDRO-ELECTRIC PROJECT AND AID LOANS

SUMMARY: DURING A LUNCHEON MEETING WITH U.S. OFFICIALS, MINISTERS GAVIN KENNARD AND HUBERT JACK COMMENTED AGAIN ON THE IMPORTANCE OF THE UPPER MAZARUNI HYDRO-ELECTRIC PROJECT TO GUYANA'S DEVELOPMENT. THE PROJECT AND ITS FINANCING SOURCES WOULD INEVITABLY INFLUENCE THE COURSE OF GUYANA'S POLITICAL DEVELOPMENT DURING THE NEXT DECADE. KENNARD, AS USUAL, RAISED QUESTION OF AID LOANS AND RECEIVED ANSWER THAT THE MATTER WAS STILL UNDER CONSIDERATION. THE GUYANESE OFFICIALS, AND HUBERT JACK PARTICULARLY, DO NOT SEEM WILLING TO FACE THE PROBABILITY THAT THE GOG WILL NOT BE ABLE TO OBTAIN FINANCING NECESSARY FOR THEIR CHERISHED HYDRO-ELECTRIC PROJECT. END SUMMARY.

1. DURING LUNCHEON MEETING SEPTEMBER 27 AT MY RESIDENCE WITH AID OFFICIAL WILLIAM WHEELER AND PARTY, HUBERT JACK, MINISTER OF ENERGY AND NATURAL RESOURCES AND ACTING FOREIGN MINISTER, AND GAVIN KENNARD, MINISTER OF AGRICULTURE, DISCUSSED A WIDE RANGE
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OF MATTERS INCLUDING GUYANA'S DEVELOPMENT PLANS AND PROBLEMS.

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ONCE AGAIN, THE GUYANESE OBSESSION WITH THE UPPER MAZARUNI HYDRO-ELECTRIC PROJECT AND RELATED SMELTER AND FERTILIZER PROJECTS WAS APPARENT. MINISTER JACK DESCRIBED THE HYDRO-ELECTRIC PROJECT AS BEING OF VITAL IMPORTANCE FOR GUYANA. THE GOG WAS ALREADY SINKING ITS OWN RESOURCES INTO INFRASTRUCTURE, INCLUDING THE ACCESS ROAD COSTING DOLS GUYANESE 40 MILLION. THE COST AND FEASIBILITY STUDIES WERE READY.

2. PRIVATE FIRMS, NAMES OF WHICH HE DID NOT MENTION, WERE READY TO PROVIDE FINANCING FOR PURCHASE OF HEAVY EQUIPMENT AND MATERIALS IF AN OVERALL PACKAGE TO FINANCE OTHER COSTS COULD BE PUT TOGETHER; THEREFORE, GUYANA WOULD HAVE TO SEEK ONLY PART OF THE FULL US DOLS 800 MILLION, WHICH HE SAID REPRESENTED THE TOTAL COST OF THE PROJECT, FROM INTERNATIONA LENDING INSTITUTIONS. THIS FIGURE CONTRASTS TO THAT ESTIMATED BY OTHER SOURCES, INCLUDING IBRD, WHICH SETS TOTAL PROJECT COST AT US DOLS 1.5 BILLION. WHEN ASKED WHAT WOULD HAPPEN IF GUYANA COULD NOT OBTAIN FINANCING, JACK SAID THE RESULT WOULD BE POLITICAL AND ECONOMIC DISASTER.

3. JACK EMPHASIZED THAT GUYANA'S SOCIALISM WAS ENTIRELY AN INTER-NAL MATTER AND THAT THE GOG'S FOREIGN POLICY WAS THAT OF NON-ALIGNMENT BETWEEN EAST AND WEST. HE HOPED THAT THIS POLICY WOULD CONTINUE, BUT, WITH REFERENCE TO THE HYDRO-ELECTRIC PROJECT, SAID IT WOULD BE NAIVE FOR GUYANESE TO ASSUME THAT IF ONE OF THE GREAT POWERS FINANCED THE LION'S SHARE OF THE PROJECT, THE POLITICAL ALIGNMENTS OF GUYANA WOULD REMAIN UNAFFECTED. FOR THIS REASON, THE GOG WAS TRYING TO INTEREST A NUMBER OF DONORS IN THE PROJECT.

4. TIME, HOWEVER, WAS CRUCIAL. ACCORDING TO JACK, GUYANA WOULD HAVE TO MAKE COMPROMISES AND CRUCIAL DECISIONS ABOUT THE FINANCING OF THE PROJECT DURING THE NEXT 12 MONTHS. THESE DECISIONS WOULD DETERMINE THE POLITICAL AND ECONOMIC ORIENTATION OF GUYANA OVER THE NEXT 12-15 YEARS. JACK IN EFFECT SAID THAT WHILE GUYANA WOULD PREFER TO RECEIVE FUNDS FROM A RANGE OF DONORS AND THUS MINIMIZE AND BALANCE OFF THE IMPACT ON GUYANA'S NON-ALIGNMENT, THE GOG WOULD END UP PAYING ANY POLITICAL PRICE TO GET FINANCING FOR THE HYDRO-ELECTRIC PROJECT.

5. JACK SAID GUYANA HAD APPLIED FOR A WORLD BANK LOAN TO DEVELOP ITS TIMBER INDUSTRY AND EXPAND EXPORTS OF LUMBER AND TIMBER, BUT THAT CONFIDENTIAL

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APPROVAL OF A LOAN HAD BEEN HELD UP UNTIL GOG COULD OBTAIN SERVICES OF A MARKETING FIRM. HE SAID GOG WOULD LIKE TO HIRE A SUITABLE U.S. FIRM OR ONE FROM ELSEWHERE TO EITHER HANDLE THE MARKETING OF TIMBER ABROAD OR TO PROVIDE ADVISORY AND TECHNICAL SERVICES TO GUYANA IN MARKETING.

6. BOTH JACK AND KENNARD HAD BEENINFORMEDPRIOR TO THE LUNCH THAT WHEELER'S VISIT TO GUYANA WAS FOR THE PURPOSE OF DISCUSSING REGIONAL

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PROGRAMS WITH CARICOM OFFICIALS; HOWEVER, KENNARD COULD NOT RESIST THE TEMPTATION TO INQUIRE WITH WHEELER ABOUT THE STATUS OF THE AID FOOD CROPS LOAN, EVEN OFFERING TO MAKE A POSITIVE STATEMENT REGARDING THE LOAN IN A PUBLIC SPEECH LATER THAT AFTERNOON. THE ANSWER WAS THAT THE LOAN WAS "STILL
UNDER CONSIDERATION".

7. COMMENT: THE CONVERSATION WAS CORDIAL THROUGHOUT. BOTH MINISTERS APPEARED WILLING TODISCUSS WIDE RANGE OF ISSUES FREELY AND CANDIDLY;HOWEVER, JACK DID MOST OF THE TALKINGON POLICY MATTERS. AS I SEE AND HEAR MORE OF JACK, I AM INCREASINGLY IMPRESSED WITH HIS CANDOR AND PRAGMATISM. HE APPERS TO BE NEITHER PRO-NOR ANTI-AMERICAN. LAST WEEK DURING A SOCIAL EVENT, JACK ENGAGED IN A DISCUSSION WITH MINISTER OF STATE KIT NASCIMENTO IN WHICH HE ADVOCATED DEVELOPMENT OF TELEVISION IN GUYANA AND USE OF PROGRAMS FROM U.S. AND ELSEWHERE (NASCIMENTO TOOK THE OPPOSITE VIEW THAT BY DOING WHAT JACK ADVOCATED WOULD MEAN THE IMPORTATION OF U.S. CULTURAL IMPERIALISM). KENNARD, WHO IS AN AGRICULTURAL TECHNICIAL,REMAINS ORIENTED TOWARD U.S. BUT APPEARS TO HAVE LITTLE OR NO INFLUENCE ON FOREIGN POLICY
BLACKEN

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